

SIA “AGROCREDIT LATVIA”

**UNAUDITED ANNUAL ACCOUNTS FOR SIX MONTHS ENDED 31
DECEMBER 2016**

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL
FINANCIAL REPORTING STANDARDS AS ADOPTED BY EU
Translation from Latvian

SIA "AGROCREDIT LATVIA"
ANNUAL ACCOUNTS FOR SIX MONTHS ENDED 31 DECEMBER 2016
(TRANSLATION FROM LATVIAN)

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Information about the company

Information about the company	SIA AGROCREDIT LATVIA
Legal status of the Company	Limited liability company
Number, place and date of registration	40103479757 Commercial Registry Riga, 11 November 2011
Operations as classified by NACE classification code system	64.91 – Financial leasing 64.92 – Other credit granting
Address	Puķu street 8-7, Riga LV-1048, Latvia (till 19.04.2016) K.Ulmaņa gatve 119, Mārupe, Mārupe municipality, LV-2167 (from 19.04.2016)
Names and addresses of shareholders	AgroCredit Estonia OU (90%) Reg. No. 1000241097 Sirbi 9-2, Tallinn 11713, Estonia SIA K Investments (10%) Reģ.Nr. 40103978402 Puķu street 8-7, Rīga, LV-1048
Names and positions of Board members	Ģirts Vinters – Chairman of the Board Jānis Kārklīšs – Member of the Board
Financial year	1 January 2016 – 31 December 2016

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Management report

SIA AgroCredit Latvia (hereinafter – the Company) is a specialized financial services provider, offering credit services to farmers. The Company mainly issues short-term financing to crop farmers for the purchase of raw materials, which is repaid after the harvest sales.

Credit policy of the Company is classified as a relatively conservative using basic principles characteristic to banking practice. Taking decisions on financing, the Company considers such aspects as experience of the potential client in agriculture, financial results the previous year, the cropped area, cultural and regional aspects, as well as recommendations from other companies of the industry. The amount of financing is usually no more than half of the average expected sales volume of yield, which allows customers to pay for their obligations in poor yield years.

The Company provides the necessary resources for crediting from its own funds as well as attracts from external sources of financing- banks and investment funds, private investors and bonds.

In 2016 the company continued gradual growth. The share capital of the company was increased by 1/3rd what allowed to attract additional credit resources from 3rd parties and increase the credit portfolio.

The company emitted bonds and started the quotation in Nasdaq Baltic stock exchange, which will be another source of financing for the coming years.

The total interest income increased by more than 20% in comparison to 2015 and the total assets increased by more than 25%.

The year was quite tough for grain growers – there was low quality of grain, hard weather conditions during the harvest time, comparatively low grain prices. Still the quality of credit portfolio and repayment discipline remained on previous high level and there were no credit losses during the year.

As the total portfolio grow, the decision to make general provisions in amount equal to 1% of the credit portfolio was made by the management in the end of the year. That is the reason for lower profitability ratios in comparison to year 2015.

It is planned to continue to grant seasonal financing to grain growers and remain all credit policies unchanged. We will continue stable growth, acquire additional financial resources and offering the financing to wider range of customers.

Ģirts Vinters
Chairman of the Board

Jānis Kārklīšs
Member of the Board

Rīga, 28.02.2017

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Statement of management`s responsibility

Management of SIA AgroCredit Latvia is responsible for preparation of financial statements for twelve months ended 31 December 2016.

Based on the information available to the Board, the financial statements are prepared on the basis of the relevant primary documents and statements in accordance with International Financial Reporting Standards as adopted by the European Union and present a true and fair view of the Group's assets, liabilities and financial position as at 31 December 2016 and its profit and cash flows for twelve months ended 31 December 2016.

The management of the Company confirms that the accounting policies and management estimates have been applied consistently and appropriately. The management of the parent company confirms that the consolidated financial statements have been prepared on the basis of the principles of prudence and going concern.

The management of Company confirms that is responsible for maintaining proper accounting records and for monitoring, controlling and safeguarding the Group's assets. The management of the parent company is responsible for detecting and preventing errors, irregularities and/or deliberate data manipulation. The management of the parent company is responsible for ensuring that the Group operates in compliance with the laws of the Republic of Latvia.

The management report presents fairly the Company's business development and operational performance.

Ģirts Vinters
Chairman of the Board

Jānis Kārklīšs
Member of the Board

Rīga, 28.02.2017

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Comprehensive income statement for the period of twelve months ended 31 December 2016

	Notes	31.12.2016 EUR	31.12.2015 EUR
Interest and similar income	1	619 924	514 940
Interest expense	2	(288 623)	(259 027)
Accruals/recovery	3	(50 000)	25 000
Administrative expense	4	(166 710)	(81 440)
Other operating income	5	57	866
Other operating expense	6	(28 706)	(32 080)
Other financial expense	7	(276)	(248)
Profit before taxes		85 666	168 011
Corporative income tax for the period	8	(25 333)	(21 450)
Deferred tax		7 631	(3 603)
Profit for the period		67 964	142 958
Other income			
Total comprehensive income for the period		67 964	142 958

Notes on pages from 10 to 11 are integral part of these financial statements.

 Ģirts Vinters
 Chairman of the Board

 Jānis Kārklīšs
 Member of the Board

Riga, 28.02.2017

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Statement of financial position as at 31 December 2016

	Notes	31.12.2016. EUR	31.12.2015. EUR
Assets			
Long term investments			
Fixed assets		2 729	6 998
Loans and receivables		206 219	519 798
Deferred tax asset		7 347	-
Total long-term investments:		216 295	526 796
Current assets			
Loans and receivables		4 854 229	3 592 356
Other debtors		15 037	7 384
Cash and bank		77 761	25 203
Total current assets:		4 947 027	3 624 943
Total assets		5 163 322	4 151 739
Liabilities			
Shareholders' funds:			
Share capital		1 500 000	1 000 020
Other reserves		25	25
Retained earnings:			
- prior year's retained earnings		190 533	47 575
- current year's profit		67 964	142 958
Total shareholders' funds:		1 758 522	1 190 578
Creditors:			
Long-term creditors:			
Borrowings- SIA Nordea Finance Latvia		135 399	247 763
Accounts payable to affiliated companies		-	570 000
Bonds issued		1 665 000	540 000
Deferred tax liabilities		-	284
Total long-term creditors:		1 800 399	1 358 047
Short-term creditors:			
Borrowings- SIA Citadele banka		1 098 071	673 190
Borrowings- SIA Nordea Finance Latvia		110 594	114 819
Other borrowings		380 000	500 000
Bonds issued		-	290 000
Trade creditors and accrued liabilities		15 736	25 105
Total short-term creditors:		1 604 401	1 603 114
Total liabilities and shareholders' funds		5 163 322	4 151 739

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 Chairman of the Board

 Jānis Kārklīšs
 Member of the Board

Rīga, 28.02.2017

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Statement of changes in equity for the period of twelve months ended 31 December 2016

	Share capital	Other reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR
As at 31 December 2014	1 000 020	25	47 575	1 047 620
Profit for the year			142 958	142 958
As at 31 December 2015	1 000 020	25	190 533	1 190 578
Capital increase	499 980			499 980
Profit for the period			67 964	67 964
As at 31 December 2016	1 500 000	25	258 497	1 758 522

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Statement of cash flows for the period of six months ended 31 December 2016

	Note	31.12.2016 EUR	31.12.2015 EUR
<u>Cash flow from operating activities</u>			
Profit before extraordinary items and taxes		85 666	168 011
Adjustments for:			
- fixed assets depreciation		3 512	3 227
- interest and similar income		(548 361)	(457 937)
- interest and similar expense		252 852	221 224
- accruals		50 000	(25 000)
Loss before adjustments of working capital and short-term liabilities		(156 331)	(90 475)
Adjustments for:			
- trade debtors' increase/ (decrease)		(25 408)	(7 381)
- trade creditors' (decrease)/ increase		415 512	2 553
Gross cash flow from operating activities		233 773	(95 303)
Interest paid		(252 715)	(215 123)
Interest payments received		524 841	439 233
Corporate income tax paid		(26 880)	(31 094)
Net cash flow from operating activities		479 019	97 713
<u>Cash flow from investing activities</u>			
Acquisition of fixed assets and intangibles		(2 895)	(271)
Loans issued		(5 602 299)	(5 453 940)
Received loans repayment		4 648 572	5 403 759
Cash flow from investing activities		(956 622)	(50 452)
<u>Cash flow from financing activities</u>			
Proceeds from increase of share capital		499 980	-
Loans received		2 637 363	1 302 500
Loans repaid		(2 607 182)	(1 335 501)
Net cash flow from financing activities		530 161	(33 001)
Net cash flow of the reporting year		52 558	14 260
Cash and cash equivalents at the beginning of the reporting year		25 203	10 943
Cash and cash equivalents at the end of reporting year		77 761	25 203

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Notes to the financial statements

(1) Interest and similar income

	31.12.2016	31.12.2015
	EUR	EUR
Commission fee income	66 702	42 534
Interest income on loans issued	553 222	460 269
Other interest income	-	-
	<u>619 924</u>	<u>514 940</u>

(2) Interest expense

Interest on loans received – SIA Citadele Banka	69 717	77 566
Interest on loans received – SIA Nordea Finance Latvia	11 298	12 985
Interest on loans received – other borrowings	76 520	63 087
Interest on loans received from affiliated companies	15 378	10 712
Bonds' coupon expense	79 663	56 627
Leverage expense	36 047	38 050
	<u>288 623</u>	<u>259 027</u>

(3) Accruals/recovery

	<u>(50 000)</u>	<u>25 000</u>
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(4) Administrative expense

Staff costs	51 363	29 338
Social insurance	12 116	6 921
Risk duty	9	10
Office goods	5 761	4 302
Communication expenses	2 789	2 613
Accounting Services	14 769	10 336
legal services	44 367	9 227
IT costs	6 411	6 335
Bank commission	638	605
Transportation costs	12 005	5 157
Depreciation of fixed assets	3 512	3 227
Office rent	8 167	2 071
Insurance payments	573	720
household goods	750	496
Business trip expenses	2 754	-
Representation costs	-	778
Other management costs	726	304
	<u>166 710</u>	<u>81 440</u>

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Notes to the financial statements (continued)

(5) Other operating income

	31.12.2016	31.12.2015
	EUR	EUR
Other income	57	-
Other interest income from AgroCredit Estonia OU	-	866
	<u>57</u>	<u>866</u>

(6) Other operating expense

Donations	6 500	7 007
Debt collection costs	3 515	-
Membership fees	3 351	2 749
Marketing and advertising costs	11 556	21 200
Promotion costs	3 784	1 124
	<u>28 706</u>	<u>32 080</u>

(7) Other financial expense

Interest paid – SIA Nordea Finance Latvia	139	248
Penalties	137	-
	<u>276</u>	<u>248</u>

(8) Corporate income tax for the period

Corporate income tax charge for the reporting period	25 333	21 450
Deferred tax charge	(7 631)	3 603
	<u>17 702</u>	<u>25 053</u>

Subsequent events

There are no subsequent events since the last date of the reporting year, which would have a significant effect on the financial position of the Company as at 31 December 2016.